

## **D - Department of Education**

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## **D - Department of Education**

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**D - Department of Education****Operating Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. APPROPRIATIONS SUMMARY BY FUND SOURCE</b>						
General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	3,087,336,600	3,086,559,700	(776,900)	3,322,931,200	3,390,645,700	67,714,500
Restricted Funds	4,680,600	5,030,600	350,000	4,155,600	4,505,600	350,000
Federal Funds	622,092,000	622,092,000		627,250,900	627,250,900	
<b>Regular Total Funds</b>	<b>3,715,997,600</b>	<b>3,715,570,700</b>	<b>(426,900)</b>	<b>3,956,226,100</b>	<b>4,024,290,600</b>	<b>68,064,500</b>
Continuing	1,483,700	1,483,700				
<b>TOTAL FUNDS</b>	<b>3,717,481,300</b>	<b>3,717,054,400</b>	<b>(426,900)</b>	<b>3,956,226,100</b>	<b>4,024,290,600</b>	<b>68,064,500</b>

**II. EXPENDITURE CATEGORY**

Personnel Costs	75,826,900	75,826,900		76,873,500	76,873,500	
Operating Expenses	10,125,900	10,475,900	350,000	9,581,200	9,931,200	350,000
Grants, Loans, Benefits	3,631,528,500	3,630,751,600	(776,900)	3,869,926,900	3,937,555,400	67,628,500
Debt Service				180,500	266,500	86,000
Capital Outlay				(336,000)	(336,000)	
<b>TOTAL EXPENDITURES</b>	<b>3,717,481,300</b>	<b>3,717,054,400</b>	<b>(426,900)</b>	<b>3,956,226,100</b>	<b>4,024,290,600</b>	<b>68,064,500</b>

**III. BASE LEVEL BUDGET BY FUND SOURCE**

General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	3,087,336,600	3,086,354,000	(982,600)	3,322,931,200	3,289,709,600	(33,221,600)
Restricted Funds	4,680,600	5,030,600	350,000	4,155,600	4,505,600	350,000
Federal Funds	622,092,000	622,092,000		627,250,900	627,250,900	
<b>Regular Total Funds</b>	<b>3,715,997,600</b>	<b>3,715,365,000</b>	<b>(632,600)</b>	<b>3,956,226,100</b>	<b>3,923,354,500</b>	<b>(32,871,600)</b>
Continuing	1,483,700	1,483,700				
<b>TOTAL BASE LEVEL</b>	<b>3,717,481,300</b>	<b>3,716,848,700</b>	<b>(632,600)</b>	<b>3,956,226,100</b>	<b>3,923,354,500</b>	<b>(32,871,600)</b>

**IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE**

General Fund		205,700	205,700		100,936,100	100,936,100
<b>TOTAL ADDITIONAL</b>		<b>205,700</b>	<b>205,700</b>		<b>100,936,100</b>	<b>100,936,100</b>

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**D - Department of Education****Capital Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. CAPITAL PROJECT RECAP BY FUND SOURCE</b>						
Bond Funds	3,839,000	3,839,000			1,800,000	1,800,000
Investment Income	675,000	675,000		675,000	675,000	
<b>TOTAL CAPITAL</b>	<b>4,514,000</b>	<b>4,514,000</b>		<b>675,000</b>	<b>2,475,000</b>	<b>1,800,000</b>

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**D - Department of Education****Operating Budget****Executive Policy and Management**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. APPROPRIATIONS SUMMARY BY FUND SOURCE</b>						
General Fund	687,900	687,900		687,900	687,900	
<b>Regular Total Funds</b>	<b>687,900</b>	<b>687,900</b>		<b>687,900</b>	<b>687,900</b>	
Continuing						
<b>TOTAL FUNDS</b>	<b>687,900</b>	<b>687,900</b>		<b>687,900</b>	<b>687,900</b>	
<b>II. EXPENDITURE CATEGORY</b>						
Personnel Costs	568,400	568,400		582,500	582,500	
Operating Expenses	119,500	119,500		105,400	105,400	
<b>TOTAL EXPENDITURES</b>	<b>687,900</b>	<b>687,900</b>		<b>687,900</b>	<b>687,900</b>	
<b>III. BASE LEVEL BUDGET BY FUND SOURCE</b>						
General Fund	687,900	687,900		687,900	687,900	
<b>Regular Total Funds</b>	<b>687,900</b>	<b>687,900</b>		<b>687,900</b>	<b>687,900</b>	
Continuing						
<b>TOTAL BASE LEVEL</b>	<b>687,900</b>	<b>687,900</b>		<b>687,900</b>	<b>687,900</b>	

**Fiscal Biennium 2004-2006  
Budget Modification Report**

02/20/05 10:15 AM

**Executive Policy and Management**

**BILL AS INTRODUCED**

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

**"Employment of Personnel:** Notwithstanding KRS 18A.115, the Department of Education may fill, through memoranda of agreement, not more than 50 percent of its existing authorized positions below the division director level with individuals employed as school administrators and educators in Kentucky."

**"Employment of Leadership Personnel:** Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set their compensation comparable to the competitive market."

**"Medicaid Reimbursement Funds:** The Department of Education is authorized to implement a strategy, in conjunction with local school districts and the Department for Medicaid Services within the Cabinet for Health Services, to maximize federal reimbursement under the Medicaid Program for Medicaid-eligible administrative functions performed by elementary and secondary school faculty, staff, and administrators. Any increase in federal reimbursement attributable to such a strategy shall not be expended by the Department of Education or Cabinet for Health Services, Department for Medicaid Services, prior to review and approval by the Governor's Office of Policy and Management and submission to the Interim Joint Committee on Appropriations and Revenue at least 60 days prior to any distribution of Federal Funds."

**HOUSE REPORT**

The House concurs with the Bill as Introduced.

**D - Department of Education****Operating Budget****Operations and Support Services**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. APPROPRIATIONS SUMMARY BY FUND SOURCE</b>						
General Fund	10,888,600	10,888,600		11,353,900	11,439,900	86,000
Restricted Funds	2,886,400	3,236,400	350,000	2,354,400	2,704,400	350,000
Federal Funds	27,800	27,800		27,800	27,800	
<b>Regular Total Funds</b>	<b>13,802,800</b>	<b>14,152,800</b>	<b>350,000</b>	<b>13,736,100</b>	<b>14,172,100</b>	<b>436,000</b>
Continuing						
<b>TOTAL FUNDS</b>	<b>13,802,800</b>	<b>14,152,800</b>	<b>350,000</b>	<b>13,736,100</b>	<b>14,172,100</b>	<b>436,000</b>
<b>II. EXPENDITURE CATEGORY</b>						
Personnel Costs	9,147,800	9,147,800		9,400,700	9,400,700	
Operating Expenses	4,085,900	4,435,900	350,000	4,127,100	4,477,100	350,000
Grants, Loans, Benefits	569,100	569,100		27,800	27,800	
Debt Service				180,500	266,500	86,000
<b>TOTAL EXPENDITURES</b>	<b>13,802,800</b>	<b>14,152,800</b>	<b>350,000</b>	<b>13,736,100</b>	<b>14,172,100</b>	<b>436,000</b>
<b>III. BASE LEVEL BUDGET BY FUND SOURCE</b>						
General Fund	10,888,600	10,888,600		11,353,900	11,353,900	
Restricted Funds	2,886,400	3,236,400	350,000	2,354,400	2,704,400	350,000
Federal Funds	27,800	27,800		27,800	27,800	
<b>Regular Total Funds</b>	<b>13,802,800</b>	<b>14,152,800</b>	<b>350,000</b>	<b>13,736,100</b>	<b>14,086,100</b>	<b>350,000</b>
Continuing						
<b>TOTAL BASE LEVEL</b>	<b>13,802,800</b>	<b>14,152,800</b>	<b>350,000</b>	<b>13,736,100</b>	<b>14,086,100</b>	<b>350,000</b>
<b>IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE</b>						
General Fund					86,000	86,000
<b>TOTAL ADDITIONAL</b>					<b>86,000</b>	<b>86,000</b>
<b>V. ADDITIONAL BUDGET ITEMS</b>						
<b>1 NEW Debt Service - Bond Funds - Facility for Education Arts Programs</b>						
ABR540B0008	Provide debt service for unissued Bond Funds totaling \$1.8 million in FY 2005-2006 to support facilities for Education Arts Programs which will require matching private funds.					
General Fund					86,000	86,000
<b>Project Total</b>					<b>86,000</b>	<b>86,000</b>
<b>TOTAL ADDITIONAL</b>					<b>86,000</b>	<b>86,000</b>

**Fiscal Biennium 2004-2006  
Budget Modification Report**

02/20/05 10:15 AM

**Operations and Support Services**

**BILL AS INTRODUCED**

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer includes a transfer from Operations and Support Services, Agency Revenue Fund of \$102,200 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

**"Teachers' Retirement System Employer Match:** Included in the above General Fund appropriation is \$2,531,700 in fiscal year 2004-2005 and \$2,607,800 in fiscal year 2005-2006 to enable the Department of Education to provide the employer match for the teacher retirement contribution for qualified employees as provided by KRS 161.550."

**"Debt Service:** Included in the above General Fund appropriation in fiscal year 2005-2006 is \$180,500 to provide for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act."

**"Management Assistance Program:** Included in the above General Fund appropriation is \$200,000 in each fiscal year for the Management Assistance Program."

**Fiscal Biennium 2004-2006  
Budget Modification Report**

02/20/05 10:15 AM

**Operations and Support Services**

**HOUSE REPORT**

The House concurs with the Bill as Introduced with the following changes:

The House adds a Part I, Operating Budget, language provision as follows:

**"Facility for Education Arts Programs:** Included in the above General Fund appropriation in fiscal year 2005-2006 is \$86,000 to provide for debt service for new bonds as forth in Part II, Capital Projects Budget, of this Act. A local school district shall match the state assistance provided from the Facility for Education Arts Programs with private funds. A local school district may combine assistance provided from the Facility for Education Arts Programs with other projects on the local facility plan. The criteria for disbursement of Facility for Education Arts Programs funds shall be determined by the Commissioner of Education and awards for Facility for Education Arts Programs funds shall be no later than August 31, 2005. The available moneys shall then be sent to all eligible local school districts no later than September 30, 2005."

The House provides in Part II, Capital Projects, Bond Funds totaling \$1,800,000 to support the Facility for Education Arts Programs.

The House provides revised funding as reflected in Part III, Base Level Budget by Fund Source of this report.

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**D - Department of Education****Capital Budget****Operations and Support Services**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. CAPITAL PROJECT RECAP BY FUND SOURCE</b>						
Bond Funds	3,839,000	3,839,000			1,800,000	1,800,000
Investment Income	675,000	675,000		675,000	675,000	
<b>TOTAL CAPITAL</b>	<b>4,514,000</b>	<b>4,514,000</b>		<b>675,000</b>	<b>2,475,000</b>	<b>1,800,000</b>
<b>II. CAPITAL PROJECTS</b>						
<b>1 Save Energy Performance Contract Project</b>						
PRJ540B1126						
Other Funds						
<b>Project Total</b>						
<b>2 Various Major Maintenance - KSD</b>						
PRJ540B1130						
Bond Funds	3,839,000	3,839,000				
<b>Project Total</b>	<b>3,839,000</b>	<b>3,839,000</b>				
<b>3 Maintenance Pool</b>						
PRJ540B1133						
Investment Income	675,000	675,000		675,000	675,000	
<b>Project Total</b>	<b>675,000</b>	<b>675,000</b>		<b>675,000</b>	<b>675,000</b>	
<b>4 Facility for Education Arts Programs</b>						
PRJ540B1135						
Bond Funds					1,800,000	1,800,000
<b>Project Total</b>					<b>1,800,000</b>	<b>1,800,000</b>
<b>TOTAL CAPITAL</b>	<b>4,514,000</b>	<b>4,514,000</b>		<b>675,000</b>	<b>2,475,000</b>	<b>1,800,000</b>

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**D - Department of Education****Operating Budget****Learning and Results Services**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. APPROPRIATIONS SUMMARY BY FUND SOURCE</b>						
General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	641,065,500	641,170,200	104,700	788,138,900	786,897,100	(1,241,800)
Restricted Funds	1,794,200	1,794,200		1,801,200	1,801,200	
Federal Funds	622,064,200	622,064,200		627,223,100	627,223,100	
<b>Regular Total Funds</b>	<b>1,266,812,300</b>	<b>1,266,917,000</b>	<b>104,700</b>	<b>1,419,051,600</b>	<b>1,417,809,800</b>	<b>(1,241,800)</b>
Continuing	1,483,700	1,483,700				
<b>TOTAL FUNDS</b>	<b>1,268,296,000</b>	<b>1,268,400,700</b>	<b>104,700</b>	<b>1,419,051,600</b>	<b>1,417,809,800</b>	<b>(1,241,800)</b>
<b>II. EXPENDITURE CATEGORY</b>						
Personnel Costs	66,110,700	66,110,700		66,890,300	66,890,300	
Operating Expenses	5,920,500	5,920,500		5,348,700	5,348,700	
Grants, Loans, Benefits	1,196,264,800	1,196,369,500	104,700	1,347,148,600	1,345,906,800	(1,241,800)
Capital Outlay				(336,000)	(336,000)	
<b>TOTAL EXPENDITURES</b>	<b>1,268,296,000</b>	<b>1,268,400,700</b>	<b>104,700</b>	<b>1,419,051,600</b>	<b>1,417,809,800</b>	<b>(1,241,800)</b>
<b>III. BASE LEVEL BUDGET BY FUND SOURCE</b>						
General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	641,065,500	641,065,500		788,138,900	755,283,600	(32,855,300)
Restricted Funds	1,794,200	1,794,200		1,801,200	1,801,200	
Federal Funds	622,064,200	622,064,200		627,223,100	627,223,100	
<b>Regular Total Funds</b>	<b>1,266,812,300</b>	<b>1,266,812,300</b>		<b>1,419,051,600</b>	<b>1,386,196,300</b>	<b>(32,855,300)</b>
Continuing	1,483,700	1,483,700				
<b>TOTAL BASE LEVEL</b>	<b>1,268,296,000</b>	<b>1,268,296,000</b>		<b>1,419,051,600</b>	<b>1,386,196,300</b>	<b>(32,855,300)</b>
<b>IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE</b>						
General Fund		104,700	104,700		31,613,500	31,613,500
<b>TOTAL ADDITIONAL</b>		<b>104,700</b>	<b>104,700</b>		<b>31,613,500</b>	<b>31,613,500</b>
<b>V. ADDITIONAL BUDGET ITEMS</b>						
<b>1 EXPAN Extended School Services</b>						
ABR540D0002 Provide funds to support Extended School Services at the revised FY 2003-2004 funding level.						
General Fund					12,780,300	12,780,300
<b>Project Total</b>					<b>12,780,300</b>	<b>12,780,300</b>

**D - Department of Education****Operating Budget****Learning and Results Services**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
2	EXPAN	Safe Schools						
ABR540D0004	Provide funds to support Safe Schools initiatives at the revised fiscal year 2003-2004 funding level.							
	General Fund					417,900		417,900
Project Total						417,900		417,900
3	EXPAN	Community Education						
ABR540D0005	Provide funds to support Community Education to expand the utilization of public schools for all members of the community throughout the Commonwealth.							
	General Fund		104,700	104,700		104,700		104,700
Project Total			104,700	104,700		104,700		104,700
4	EXPAN	Gifted and Talented						
ABR540D0007	Provide funds to support the Gifted and Talented Program at the revised FY 2003-2004 funding level.							
	General Fund					12,100		12,100
Project Total						12,100		12,100
5	EXPAN	Elementary Arts and Language Education						
ABR540D0009	Provide funds to support the Elementary Arts and Language Education initiative at the revised FY 2003-2004 funding level.							
	General Fund					484,400		484,400
Project Total						484,400		484,400
6	EXPAN	Locally-Operated Vocational Schools						
ABR540D0014	Provide funds to support locally-operated vocational schools at the revised FY 2003-2004 funding level.							
	General Fund					998,500		998,500
Project Total						998,500		998,500
7	EXPAN	Professional Growth Fund						
ABR540D0012	Provide funds to support the Professional Growth Fund.							
	General Fund					3,925,300		3,925,300
Project Total						3,925,300		3,925,300
8	EXPAN	Professional Development Leadership and Mentor fund						
ABR540D0013	Provide funds to support the Professional Development Leadership and Mentor Fund at the revised FY 2003-2004 funding level.							
	General Fund					381,500		381,500
Project Total						381,500		381,500

**D - Department of Education****Operating Budget****Learning and Results Services**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>9</b>	<b>EXPAN Educator Recruitment and Retention</b>						
ABR540D0021	Provide funds to support Educator and Recruitment and Retention at the revised FY 2003-2004 funding level.						
General Fund						486,700	486,700
<b>Project Total</b>						<b>486,700</b>	<b>486,700</b>
<b>10</b>	<b>EXPAN Kentucky Writing Program</b>						
ABR540D0016	Provide funds to support the Kentucky Writing Program at the revised FY 2003-2004 funding level.						
General Fund						377,000	377,000
<b>Project Total</b>						<b>377,000</b>	<b>377,000</b>
<b>11</b>	<b>EXPAN Kentucky School for the Blind (KSB)</b>						
ABR540D0017	Provide funds to support the operational expenses of the KSB at the revised FY 2003-2004 funding level.						
General Fund						116,900	116,900
<b>Project Total</b>						<b>116,900</b>	<b>116,900</b>
<b>12</b>	<b>EXPAN Kentucky School for the Deaf (KSD)</b>						
ABR540D0018	Provide funds to support the operational expenses of the KSD at the revised FY 2003-2004 funding level.						
General Fund						168,800	168,800
<b>Project Total</b>						<b>168,800</b>	<b>168,800</b>
<b>13</b>	<b>EXPAN State Agency Children</b>						
ABR540D0019	Provide funds to support State Agency Children at the revised FY 2003-2004 funding level.						
General Fund						1,046,300	1,046,300
<b>Project Total</b>						<b>1,046,300</b>	<b>1,046,300</b>
<b>14</b>	<b>EXPAN Middle School Academic Achievement Center</b>						
ABR540D0023	Provide funds to support the Middle School Academic Achievement Center at the revised FY 2003-2004 funding level.						
General Fund						387,500	387,500
<b>Project Total</b>						<b>387,500</b>	<b>387,500</b>
<b>15</b>	<b>EXPAN Family Resource and Youth Services Centers</b>						
ABR540D0024	Provide funds to support Family Resource and Youth Services Centers at the enacted FY 2003-2004 funding level.						
General Fund						1,675,600	1,675,600
<b>Project Total</b>						<b>1,675,600</b>	<b>1,675,600</b>

**D - Department of Education****Operating Budget****Learning and Results Services**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>16</b>	<b>NEW</b>	<b>Rural Literacy Program</b>						
ABR540D0027	Provide funds to support an initiative designed to implement and mentor literacy programs in rural Kentucky.							
General Fund								
							250,000	250,000
<b>Project Total</b>								
<b>17</b>	<b>NEW</b>	<b>Mathematics Achievement Fund</b>						
ABR540D0028	Provide funds to support the establishment of the Mathematics Achievement Fund as envisioned in 2005 Regular Session HB 93.							
General Fund								
							3,000,000	3,000,000
<b>Project Total</b>								
<b>18</b>	<b>EXPAN</b>	<b>Education Technology Escrow Account</b>						
ABR540D0029	Provide funds to support the Education Technology Escrow Account.							
General Fund								
							5,000,000	5,000,000
<b>Project Total</b>								
<b>TOTAL ADDITIONAL</b>								
							104,700	104,700
							31,613,500	31,613,500

**Fiscal Biennium 2004-2006  
Budget Modification Report**

02/20/05 10:15 AM

**Learning and Results Services**

**BILL AS INTRODUCED**

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State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer includes a transfer from the Kentucky Successful Schools Trust Fund of \$204,900 in fiscal year 2004-2005.

General Fund support for the Middle School Demonstration Network is not provided in fiscal biennium 2004-2006.

General Fund support for the Direct Instruction Literacy Project is not provided in fiscal biennium 2004-2006.

General Fund support for the Child Assault Prevention Program is not provided in fiscal biennium 2004-2006.

General Fund support for Bus Driver Training Grants is not provided in fiscal biennium 2004-2006.

General Fund support for the reimbursement of local school district audits is not provided in fiscal biennium 2004-2006.

General Fund support for the Elementary Arts and Humanities Pilot Project is not provided in fiscal biennium 2004-2006.

General Fund support for Jobs for Kentucky's Graduates is not provided in fiscal biennium 2004-2006.

General Fund support for the Center for Middle School Academic Achievement is not provided in fiscal biennium 2004-2006.

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General Fund support for the Leadership and Mentoring Fund is not provided in fiscal biennium 2004-2006.

General Fund support for the Professional Growth Fund is not provided in fiscal biennium 2004-2006.

The Bill as Introduced provides General Fund - Phase I Tobacco Settlement Funds totaling \$1,888,400 in fiscal year 2004-2005 and \$1,888,400 in fiscal year 2005-2006 to support Early Childhood initiatives.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

**"Funding for Employer Health and Life Insurance:** If the costs for health insurance or life insurance coverage for employees of local school districts exceed the levels of appropriated funds, any unexpended Support Education Excellence in Kentucky appropriations may be used to offset the unbudgeted costs. Any transfer shall be subject to approval of the Governor upon the written recommendation of the Secretary of the Finance and Administration Cabinet pursuant to the written request of the Commissioner of Education. The per month per employee administrative assessment shall be remitted to the Personnel Cabinet by the Department of Education from the General Fund appropriation for local school district health and life insurance."

**"Kentucky School for the Blind and Kentucky School for the Deaf:** Included in the above General Fund appropriation is \$5,718,700 in fiscal year 2004-2005 and \$5,718,700 in fiscal year 2005-2006 for the Kentucky School for the Blind, and \$8,261,500 in fiscal year 2004-2005 and \$8,261,500 in fiscal year 2005-2006 for the Kentucky School for the Deaf."

**"Kentucky Education Technology System:**

(a) Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.660, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds.

(b) The School for the Deaf and the School for the Blind shall be fully eligible, along with local school districts, to participate in the Kentucky Education Technology System in a manner that takes into account the special needs of the students of these two schools."

**"Family Resource and Youth Services Centers:** Funds appropriated to establish and support Family Resource and Youth Services Centers shall be transferred in fiscal year 2004-2005 and in fiscal year 2005-2006 to the Health and Family Services Cabinet

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consistent with the intent of KRS 156.497. The Health and Family Services Cabinet is authorized to use, for administrative purposes, no more than three percent of the total funds transferred from the Department of Education for the Family Resource and Youth Services Centers. If a certified person is employed as a director or coordinator of a Family Resource or Youth Services Center, that person shall retain his or her status as a certified employee of the school district.

If 70 percent or more of the funding level provided by the state is utilized to support the salary of the director of a center, that center shall provide a report to the Health and Family Services Cabinet identifying the salary of the director. The Health and Family Services Cabinet shall transmit any reports received from Family Resource and Youth Services Centers pursuant to this provision to the Legislative Research Commission."

**"Health Insurance:** Included in the above General Fund appropriation is \$363,670,600 in fiscal year 2004-2005 for employer contributions for health insurance and the contribution to the flexible spending account for employees waiving coverage, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (2), and is not to be appropriated in duplication. Included in the above General Fund appropriation is \$471,540,800 in fiscal year 2005-2006 for employer contributions for health insurance and the contribution to the flexible spending account for employees waiving coverage."

**"Learning and Results Services Programs:** Included in the above General Fund appropriation are the following allocations for the 2004-2006 fiscal biennium:

- (a) \$18,336,400 in fiscal year 2004-2005 and \$19,079,200 in fiscal year 2005-2006 for the Extended School Services Program;
- (b) \$50,175,100 in each fiscal year for the Family Resource and Youth Services Centers Program;
- (c) \$51,625,400 in each fiscal year for the Preschool Program;
- (d) \$13,991,400 in fiscal year 2004-2005 and \$15,034,700 in fiscal year 2005-2006 for the Professional Development Program;
- (e) \$9,564,200 in fiscal year 2004-2005 and \$9,710,400 in fiscal year 2005-2006 for the Safe Schools Program;
- (f) \$20,000,000 in fiscal year 2004-2005 and \$19,500,000 in fiscal year 2005-2006 for the Education Technology Program;

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- (g) \$21,700,100 in each fiscal year for the Textbooks Program;
- (h) \$1,764,000 in each fiscal year for the Commonwealth School Improvement Fund;
- (i) \$5,600,000 in each fiscal year for the Highly Skilled Educators Program;
- (j) \$8,361,100 in fiscal year 2004-2005 and \$8,369,200 in fiscal year 2005-2006 for the Commonwealth Accountability Testing System (CATS);
- (k) \$616,500 in each fiscal year for the Blind/Deaf Residential Travel Program;
- (l) \$1,695,300 in each fiscal year for the Community Education Program;
- (m) \$720,900 in each fiscal year for the Dropout Prevention Program;
- (n) \$7,100,000 in fiscal year 2004-2005 and \$11,100,000 in fiscal year 2005-2006 for the Early Reading Incentive Grant/Read to Achieve Program;
- (o) \$7,109,400 in each fiscal year for the Gifted and Talented Program;
- (p) \$4,005,600 in each fiscal year for the School Food Services match;
- (q) \$9,415,800 in each fiscal year for the State Agency Children Program;
- (r) \$1,600,000 in each fiscal year for the Teacher Academies Program;
- (s) \$1,000,000 in fiscal year 2004-2005 and \$1,200,000 in fiscal year 2005-2006 for the Teacher Recruitment and Retention Program;
- (t) \$800,000 in each fiscal year for the Virtual Learning Program;
- (u) \$8,986,900 in each fiscal year for the Locally Operated Vocational Schools;



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- (v) \$302,400 in fiscal year 2004-2005 and \$233,300 in fiscal year 2005-2006 for the Writing Program;
- (w) \$500,000 in each fiscal year for the Every1 Reads Program.
- (x) \$3,914,000 in each fiscal year for Local School District Life Insurance; and
- (y) The allocations referenced in Section (5) of this budget unit for Local School District Health Insurance."

**"Program Flexibility:** Notwithstanding any statutes or administrative regulations to the contrary, the Department of Education, in concurrence with the Secretary of Education, shall determine the amount of funds appropriated within this budget unit that will be allocated directly to local school districts, which shall also be permitted flexibility in the allocation and implementation of the funds granted or allocated from the Department of Education from within this budget unit, upon review and approval by the Department. It is the intent of the General Assembly that local school districts effect the maximum administrative savings possible in order to increase funding to the classroom."

**"Local District Grant Fund Carry Forward:** Notwithstanding KRS 45.229, up to ten percent of any non-SEEK state grant fund, other than any state grant fund for the Read to Achieve Program, appropriated to the Department of Education and disbursed to a local district that is unexpended during fiscal year 2004-2005 may be carried forward to fiscal year 2005-2006. Notwithstanding KRS 45.229, any state grant fund for the Read to Achieve Program in fiscal year 2004-2005 may be carried forward to fiscal year 2005-2006."

**"Highly Skilled Educators:** Notwithstanding KRS 158.6455(3), 158.782, and 160.350(3), the Kentucky Department of Education shall have the authority to expend moneys appropriated for the Highly Skilled Education Assistance Program on intervention services that may be required by the Federal No Child Left Behind Act of 2001 (Pub. L. 107-110)."

**"Commonwealth School Improvement Fund:** Notwithstanding KRS 158.805, the Commissioner of Education shall be authorized to use the Commonwealth School Improvement Fund to provide support services to schools needing assistance under KRS 158.6455 or in order to meet the requirements of No Child Left Behind."

**"Coal-Producing Counties School Learning Performance Fund:** Notwithstanding KRS 42.4592, included in the above General Fund appropriation is \$8,000,000 in fiscal year 2005-2006 for a School Learning Performance Fund. The fund shall be utilized in furtherance of preparation of students for achievement in postsecondary education as well as the workforce, with a focus on strengthening the educational experience - particularly at the high school level - of students. All moneys from this fund shall be

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expended within local school districts within coal-producing counties and in accordance with criteria established by the Kentucky Board of Education."

**"Flexible Compensation Program:** Included in the above General Fund appropriation is \$25,855,300 in fiscal year 2005-2006 to develop a flexible compensation program that provides local districts increased opportunities to: (a) Recruit and retain teachers in critical shortage areas; (b) Provide incentives for teachers to serve in difficult assignments and hard-to-fill positions; (c) Reduce the numbers of emergency certified teachers; (d) Provide voluntary career advancement opportunities; (e) Reward teachers who increase their knowledge, skills and instructional leadership; and, (f) Encourage recruitment and retention of quality teachers. Funds from the program shall be expended based on criteria developed by the Kentucky Board of Education with the concurrence of the Education Professional Standards Board."

**HOUSE REPORT**

The House concurs with the Bill as Introduced with the following changes:

The House amends Part I, Operating Budget, language provisions as follows:

**"Kentucky School for the Blind and Kentucky School for the Deaf:** Included in the above General Fund appropriation is \$5,718,700 in fiscal year 2004-2005 and \$5,835,600 in fiscal year 2005-2006 for the Kentucky School for the Blind, and \$8,261,500 in fiscal year 2004-2005 and \$8,430,300 in fiscal year 2005-2006 for the Kentucky School for the Deaf."

**"Learning and Results Services Programs:** Included in the above General Fund appropriation are the following allocations for the 2004-2006 fiscal biennium:

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- (a) \$18,336,400 in fiscal year 2004-2005 and \$31,859,500 in fiscal year 2005-2006 for the Extended School Services Program;
- (b) \$50,175,100 in fiscal year 2004-2005 and \$51,850,700 in fiscal year 2005-2006 for the Family Resource and Youth Services Centers Program;
- (c) \$51,625,400 in each fiscal year for the Preschool Program;
- (d) \$13,991,400 in fiscal year 2004-2005 and \$15,034,700 in fiscal year 2005-2006 for the Professional Development Program;
- (e) \$9,564,200 in fiscal year 2004-2005 and \$10,128,300 in fiscal year 2005-2006 for the Safe Schools Program;
- (f) \$20,000,000 in fiscal year 2004-2005 and \$24,500,000 in fiscal year 2005-2006 for the Education Technology Program;
- (g) \$21,700,100 in each fiscal year for the Textbooks Program;
- (h) \$1,764,000 in each fiscal year for the Commonwealth School Improvement Fund;
- (i) \$5,600,000 in each fiscal year for the Highly Skilled Educators Program;
- (j) \$8,361,100 in fiscal year 2004-2005 and \$8,369,200 in fiscal year 2005-2006 for the Commonwealth Accountability Testing System (CATS);
- (k) \$616,500 in each fiscal year for the Blind/Deaf Residential Travel Program;
- (l) \$1,800,000 in fiscal year 2004-2005 and \$1,800,000 in fiscal year 2005-2006 for the Community Education Program. Included in the General Fund appropriations for the Community Education Program are funds totaling \$104,700 in fiscal year 2004-2005 and \$50,000 in fiscal year 2005-2006 which shall support community education director salaries and shall support community education director training.;
- (m) \$720,900 in each fiscal year for the Dropout Prevention Program;

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- (n) \$7,100,000 in fiscal year 2004-2005 and \$11,100,000 in fiscal year 2005-2006 for the Early Reading Incentive Grant/Read to Achieve Program;
- (o) \$7,109,400 in fiscal year 2004-2005 and \$7,121,500 in fiscal year 2005-2006 for the Gifted and Talented Program;
- (p) \$4,005,600 in each fiscal year for the School Food Services match;
- (q) \$9,415,800 in fiscal year 2004-2005 and \$10,462,100 in fiscal year 2005-2006 for the State Agency Children Program;
- (r) \$1,600,000 in each fiscal year for the Teacher Academies Program;
- (s) \$1,000,000 in fiscal year 2004-2005 and \$1,686,700 in fiscal year 2005-2006 for the Teacher Recruitment and Retention Program;
- (t) \$800,000 in each fiscal year for the Virtual Learning Program;
- (u) \$8,986,900 in fiscal year 2004-2005 and \$9,985,400 in fiscal year 2005-2006 for the Locally Operated Vocational Schools;
- (v) \$302,400 in fiscal year 2004-2005 and \$610,300 in fiscal year 2005-2006 for the Writing Program;
- (w) \$500,000 in each fiscal year for the Every1 Reads Program.
- (x) \$3,914,000 in each fiscal year for Local School District Life Insurance;
- (y) The allocations referenced in Section (5) of this budget unit for Local School District Health Insurance;
- (z) \$484,400 in fiscal year 2004-2005 and \$484,400 in fiscal year 2005-2006 for the Elementary Arts and Humanities Initiative;
- (aa) \$387,500 in fiscal year 2005-2006 for the Middle School Academic Achievement Center;
- (ab) \$3,925,300 in fiscal year 2005-2006 for the Professional Growth Fund;

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- (ac) \$381,500 in fiscal year 2005-2006 for the Professional Development Leadership and Mentor Fund; and
- (ad) \$3,000,000 in fiscal year 2005-2006 for the Mathematics Achievement Fund."

**"Program Flexibility:** Notwithstanding KRS 157.226(2) and (3), 157.3175(3) and (4), and 160.345(8) with regards to the state allocation, five programs (Professional Development, Extended School Services, Preschool, Textbooks, and Safe Schools) shall continue to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population."

**"Flexible Compensation Program:** Included in the above General Fund appropriation is \$1,000,000 in fiscal year 2005-2006 to develop a flexible compensation program that provides local districts increased opportunities to: (a) Recruit and retain teachers in critical shortage areas; (b) Provide incentives for teachers to serve in difficult assignments and hard-to-fill positions; (c) Reduce the numbers of emergency certified teachers; (d) Provide voluntary career advancement opportunities; (e) Reward teachers who increase their knowledge, skills and instructional leadership; and, (f) Encourage recruitment and retention of quality teachers. Funds from the program shall be expended based on criteria developed by the Kentucky Board of Education with the concurrence of the Education Professional Standards Board."

The House adds Part I, Operating Budget, language provisions as follows:

**"Area Centers and Vocational Departments Funding Formula:** All funds appropriated in this Act for supplementing the programs and operations of the area centers and vocational departments of the following districts shall be distributed by a weighted formula that is promulgated in an administrative regulation by the Kentucky Board of Education: Allen County, Ballard County, Bowling Green Independent, Boyd County, Carter County, Christian County, Covington Independent, Edmonson County, Fayette County, Fleming County, Franklin County, Grayson County, Henderson County, Lawrence County, Lewis County, Livingston County, Magoffin County, Marshall County, McCreary County, Newport Independent, Powell County, Simpson County, Trigg County, Union County, and Jefferson County. The weighted formula shall take into consideration the different costs of programs based on requirements for facilities, materials, and equipment to meet program standards, the number of students enrolled, and the number of hours students are enrolled."

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**"Allocation of Safe School Funds :** Notwithstanding KRS 158.446, the Center for School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440, 158.441, 158.442, 158.445, and 158.446."

**"Funds Transfer:** The Commissioner of the Department of Education may transfer any available funds between the Professional Growth Fund and the Professional Development Leadership Mentor Fund as needed to satisfy the demand and need to support respective teacher programs."

**"Publishing Requirements :** Notwithstanding KRS 158.6453(7), 160.463, and 424.220, public availability of the school district's complete annual financial statement and the school report card shall be made by publishing the documents in the newspaper of the largest general circulation in the county, electronically on the Internet, or by printed copy at a prearranged site at the main branch of the public library within the school district. If publication on the Internet or by printed copy at the public library is chosen, the superintendent shall be directed to publish notification in the newspaper of the largest circulation in the county as to the location where the document can be viewed by the public. The notification shall include the address of the library or the electronic address of the Web site on the Internet where the documents can be viewed."

**"Surplus Property:** Notwithstanding KRS 45A.045, 45.777, and 56.463, any funds received by the Commonwealth from the disposal of any surplus property at the Kentucky School for the Blind and the Kentucky School for the Deaf shall be deposited in a restricted account and shall not be expended without appropriation authority granted by the General Assembly."

**"Rural Literacy Program:** Included in the above appropriation is \$250,000 in fiscal year 2005-2006 to support Save the Children's Rural Literacy Program. These funds shall be transferred from the Kentucky Department of Education to the Health and Family Services Cabinet and shall be utilized by the Save the Children organization to design, implement, monitor, and evaluate integrated in-school, afterschool, and summer school literacy programs that include a Web-based data-collection system in rural southeastern Kentucky."

The provision Part I, Operating Budget, relating to Coal Producing Counties School Learning Performance Fund is not included.

The House provides revised funding as reflected in Part III, Base Level Budget by Fund Source and Part V, Additional Budget Items of this report.

**D - Department of Education****Operating Budget****Support Education Excellence in Kentucky (SEEK)**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>I. APPROPRIATIONS SUMMARY BY FUND SOURCE</b>						
General Fund	2,434,694,600	2,433,813,000	(881,600)	2,522,750,500	2,591,620,800	68,870,300
<b>Regular Total Funds</b>	<b>2,434,694,600</b>	<b>2,433,813,000</b>	<b>(881,600)</b>	<b>2,522,750,500</b>	<b>2,591,620,800</b>	<b>68,870,300</b>
Continuing						
<b>TOTAL FUNDS</b>	<b>2,434,694,600</b>	<b>2,433,813,000</b>	<b>(881,600)</b>	<b>2,522,750,500</b>	<b>2,591,620,800</b>	<b>68,870,300</b>
<b>II. EXPENDITURE CATEGORY</b>						
Grants, Loans, Benefits	2,434,694,600	2,433,813,000	(881,600)	2,522,750,500	2,591,620,800	68,870,300
<b>TOTAL EXPENDITURES</b>	<b>2,434,694,600</b>	<b>2,433,813,000</b>	<b>(881,600)</b>	<b>2,522,750,500</b>	<b>2,591,620,800</b>	<b>68,870,300</b>
<b>III. BASE LEVEL BUDGET BY FUND SOURCE</b>						
General Fund	2,434,694,600	2,433,712,000	(982,600)	2,522,750,500	2,522,384,200	(366,300)
<b>Regular Total Funds</b>	<b>2,434,694,600</b>	<b>2,433,712,000</b>	<b>(982,600)</b>	<b>2,522,750,500</b>	<b>2,522,384,200</b>	<b>(366,300)</b>
Continuing						
<b>TOTAL BASE LEVEL</b>	<b>2,434,694,600</b>	<b>2,433,712,000</b>	<b>(982,600)</b>	<b>2,522,750,500</b>	<b>2,522,384,200</b>	<b>(366,300)</b>
<b>IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE</b>						
General Fund		101,000	101,000		69,236,600	69,236,600
<b>TOTAL ADDITIONAL</b>		<b>101,000</b>	<b>101,000</b>		<b>69,236,600</b>	<b>69,236,600</b>
<b>V. ADDITIONAL BUDGET ITEMS</b>						
<b>1    EXPAN    SEEK Base &amp; Limited English Proficiency Student Expansion</b>						
ABR540S0022	Provide funds to support increasing the SEEK Base from \$3,379 to \$3,399 and a weight of 0.075 for limited English proficient students in fiscal year 2005-2006.					
General Fund					17,173,100	17,173,100
<b>Project Total</b>					<b>17,173,100</b>	<b>17,173,100</b>
<b>2    CONTN    National Board for Professional Teaching Standards (NBPTS) Salary Supplement</b>						
ABR540S0005	Provide funds to support the \$2,000 salary supplement for teachers who have applied and successfully completed NBPTS candidacy requirements.					
General Fund		100,000	100,000		500,000	500,000
<b>Project Total</b>		<b>100,000</b>	<b>100,000</b>		<b>500,000</b>	<b>500,000</b>
<b>3    CONTN    Equalized Growth Nickel</b>						
ABR540S0019	Provide funds to those local school districts that have previously levied the "Growth Nickel" and have levied an additional "Growth Nickel".					
General Fund					4,614,000	4,614,000
<b>Project Total</b>					<b>4,614,000</b>	<b>4,614,000</b>

**D - Department of Education****Operating Budget****Support Education Excellence in Kentucky (SEEK)**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	House Budget	Difference	Bill as Introduced	House Budget	Difference
<b>4</b>	<b>CONTN Facilities Support Program of Kentucky (FSPK)</b>						
ABR540S0018	Provide funds to fully support the FSPK program in FY 2004-2005.						
General Fund			1,000	1,000			
<b>Project Total</b>			<b>1,000</b>	<b>1,000</b>			
<b>5</b>	<b>NEW Retroactive Equalized Nickel</b>						
ABR540S0020	Provide funds to support equalized funding to local school districts that have levied a tax subject to recall in FY 2003-2004 in addition to the FSPK levy and have committed the receipts to debt service, new facilities, or major renovations.						
General Fund						1,724,500	1,724,500
<b>Project Total</b>						<b>1,724,500</b>	<b>1,724,500</b>
<b>6</b>	<b>NEW School Facilities Matching Grant Initiative</b>						
ABR540S0021	Provide funds to support local school districts who have received a substantial monetary contribution, levied an equivalent tax rate in excess of Tier I, and have at least 75% of its students eligible for free and reduced price meals.						
General Fund						225,000	225,000
<b>Project Total</b>						<b>225,000</b>	<b>225,000</b>
<b>9</b>	<b>EXPAN SEEK Base &amp; Tier I Increased Funding</b>						
ABR540S0008	Provide funds to support increasing the SEEK Base & Tier I components in accordance with KRS 157.310 to 157.440.						
General Fund						42,147,100	42,147,100
<b>Project Total</b>						<b>42,147,100</b>	<b>42,147,100</b>
<b>10</b>	<b>CONTN Kentucky Teachers Retirement System (KTRS) Employer Contribution</b>						
ABR540S0023	Provide funds to support the KTRS Employer Contribution for associated salary increases of active members in local school districts.						
General Fund						2,852,900	2,852,900
<b>Project Total</b>						<b>2,852,900</b>	<b>2,852,900</b>
<b>TOTAL ADDITIONAL</b>			<b>101,000</b>	<b>101,000</b>		<b>69,236,600</b>	<b>69,236,600</b>



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**Support Education Excellence in Kentucky (SEEK) Program**

**BILL AS INTRODUCED**

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The Bill as Introduced provides General Fund support totaling \$1,907,653,700 in fiscal year 2004-2005 and \$1,987,104,900 in fiscal year 2005-2006 for base SEEK as defined by KRS 157.360. These General Fund moneys include the associated costs of the Pupil Transportation component of SEEK as identified below.

The Bill as Introduced provides a SEEK per pupil guarantee (including \$100 capital outlay) of \$3,240 in fiscal year 2004-2005 and \$3,379 in fiscal year 2005-2006 based on a projected average daily attendance (ADA) totaling approximately 577,343 students in fiscal year 2004-2005 and 579,643 students in fiscal year 2005-2006. These projected ADA totals represent a consensus estimate reached by the Kentucky Department of Education and the Office of State Budget Director.

The Bill as Introduced provides General Fund support for the following: (a) \$144,014,500 in fiscal year 2004-2005 and \$143,460,700 in fiscal year 2005-2006 to fully fund the Tier I component of SEEK as established by KRS 157.440, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (b) \$211,953,500 in fiscal year 2004-2005 and \$211,953,500 in fiscal year 2005-2006 to fund the Pupil Transportation component of SEEK, notwithstanding KRS 157.360(2)(c); (c) \$62,889,800 in fiscal year 2004-2005 and \$59,075,400 in fiscal year 2005-2006 is provided to fully fund the Facilities Support Program pursuant to the provisions of KRS 157.440 and 157.620, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (d) \$3,000,000 in fiscal year 2004-2005 and \$3,000,000 in fiscal year 2005-2006 to fund the Equalized Growth Nickel as provided for by the 2003 General Assembly in HB 269, the State/Executive Branch Budget Bill, Part IX, Special Provisions, 14. g., utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year.

The Bill as Introduced incorporates a consensus estimate reached by the Kentucky Revenue Cabinet, the Kentucky Department of Education, and the Office of State Budget Director projecting a statewide assessed valuation of \$217,827,747,600 in fiscal year 2004-2005 and \$231,611,000,900 in fiscal year 2005-2006.

The Bill as Introduced includes the continuation of the factor (.15) to be applied to the SEEK base per pupil guarantee to determine the "at-risk" funds to be included in the SEEK funding formula in fiscal biennium 2004-2006.

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**Support Education Excellence in Kentucky (SEEK) Program**

The Bill as Introduced continues the modified "hold-harmless" guarantee in fiscal biennium 2004-2006 and provides that every local school district will receive at least the same amount of SEEK state funding per pupil as was received in fiscal year 1991-1992.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

**"Common School Fund Earnings:** Accumulated earnings for the Common School Fund shall be transferred in each fiscal year to the SEEK Program."

**"Fiscal Year 2004-2005 General Fund Appropriation:** Included in the above General Fund appropriation is \$2,428,801,400 in fiscal year 2004-2005 for the SEEK Program, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. Also included in the above General Fund appropriation is \$5,893,200 in fiscal year 2004-2005 for the SEEK Program, which is in addition to the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1). Included in the above General Fund appropriation is \$2,387,759,500 for the baseline SEEK Program and related programs in fiscal year 2004-2005, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. Also included in the above General Fund appropriation is \$5,893,200 in fiscal year 2004-2005 for the baseline SEEK Program and related programs, which is in addition to the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1)."

**"Base SEEK Allotments:** The above appropriation includes \$1,907,653,700 in fiscal year 2004-2005 and \$1,987,104,900 in fiscal year 2005-2006 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is \$211,953,500 in fiscal year 2004-2005 and \$211,953,500 in fiscal year 2005-2006 for pupil transportation."

**"Tier I Component:** Included in the above appropriation is \$144,014,500 in fiscal year 2004-2005 and \$143,460,700 in fiscal year 2005-2006 for the Tier I component as established by KRS 157.440."

**"Vocational Transportation:** Included in the above appropriation is \$2,416,900 in fiscal year 2004-2005 and \$2,416,900 in fiscal year 2005-2006 for vocational transportation."

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**"Secondary Vocational Education:** Included in the above appropriation is \$21,952,600 in fiscal year 2004-2005 and \$21,952,600 in fiscal year 2005-2006 to provide secondary vocational education in state-operated vocational schools."

**"Facilities Support Program of Kentucky/Equalized Growth Nickel:** Included in the above appropriation is \$65,889,800 in fiscal year 2004-2005 and \$62,075,400 in fiscal year 2005-2006 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620. Included in the above appropriation is \$3,000,000 in fiscal year 2004-2005 and \$3,000,000 in fiscal year 2005-2006 to provide facilities equalization funding for debt service, new facilities, and major renovations of existing facilities pursuant to KRS 157.440, 157.620, and 157.621(2) and (3) as provided for in Section (14) of this budget unit regarding equalized growth nickel funding."

**"Teachers' Retirement System Employer Match:** Included in the above appropriation is \$290,497,100 in fiscal year 2004-2005 and \$304,382,000 in fiscal year 2005-2006 to enable local school districts to provide the employer match for qualified employees as provided for by KRS 161.550, including \$4,441,900 in fiscal year 2004-2005 to support the Kentucky Teachers' Retirement System contributions for associated salary increases for active members, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication."

**"Salary Supplements for Nationally Certified Teachers:** Notwithstanding KRS 157.395, included in the above appropriation is \$1,358,000 in fiscal year 2004-2005 and \$1,358,000 in fiscal year 2005-2006 for the purpose of providing salary supplements for teachers attaining certification by the National Board for Professional Teaching Standards."

**"Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above appropriation to the base SEEK Program are intended to provide a base guarantee of \$3,240 per student in average daily attendance in fiscal year 2004-2005 and \$3,379 per student in average daily attendance in fiscal year 2005-2006 as well as to meet the other requirements of KRS 157.360.

Nothing in this Act shall be construed as prohibiting the contracting out of pupil transportation services.

Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. The total appropriation for the SEEK Program shall be measured by, or construed as, estimates of the state expenditures required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon the written request of the Commissioner of Education and with approval of the Governor, may increase the appropriation by

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such amount as may be available and necessary to meet, to the extent possible, the required expenditures under the cited sections of the Kentucky Revised Statutes, but any increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions, of this Act, and the provisions of KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, allotments to local school districts may be reduced in accordance with KRS 157.430."

**"Local School District Certified and Classified Employee Pay Increases:** Included in the above General Fund appropriation in fiscal year 2004-2005 and fiscal year 2005-2006 are funds for the purpose of providing pay increases for all certified and classified employees of local school districts, including \$36,600,000 in fiscal year 2004-2005 for the cost-of-living increase for certified and classified employees of local boards of education, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. During fiscal year 2004-2005 local school districts shall provide all certified and classified staff a salary or compensation increase of not less than two percent and an additional increase of not less than one percent effective January 1, 2005. Notwithstanding KRS 160.470(2), included in the above appropriation in fiscal year 2004-2005 is \$912,000 for the purpose of providing aid to any local school district determined to be financially incapable of providing the mandated salary or compensation increases. The determination shall be made by the State Budget Director in consultation with the Commissioner of the Department of Education and the Secretary of the Education Cabinet. During school year 2005-2006 local school districts shall provide all certified and classified personnel a salary or compensation increase of not less than two percent. The above pay increases in fiscal year 2004-2005 and fiscal year 2005-2006 for certified staff shall be in addition to the normal rank and step increases attained by certified personnel employed by local school districts."

**"Final SEEK Calculation:** Notwithstanding KRS 157.410, on or before March 1 of each year, the chief state school officer shall determine the exact amount of the public common school fund to which each district is entitled and the remainder of the amount due each district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter."

**"SEEK Adjustment Factors:** Funds allocated for the SEEK base and its adjustment factors that are not needed for the base or a particular adjustment factor may be allocated to other adjustment factors, if funds for that adjustment factor are not sufficient."

**"Equalized Growth Nickel:** Notwithstanding KRS 157.621(1), local school districts shall receive state equalization facilities funding up to the amounts available for this purpose on the existing additional tax levy pursuant to KRS 157.621 if they have: (a) Previously levied the additional tax pursuant to KRS 157.621 for debt service and new facilities prior to fiscal year 2003-2004; (b) Levied the

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five cents under the provisions of KRS 157.440; (c) Met the growth requirements in KRS 157.621(2) in fiscal year 2002-2003; and (d) Levied an additional nickel tax pursuant to KRS 157.621 in addition to (a) and (b) of this section."

**"School Employee Flexible Spending Account Funds Transfer:** Except as provided in Part IV, State Salary/Compensation and Employment Policy, of this Act, any funds remaining in flexible spending accounts of employees of local school districts for calendar year 2004 and calendar year 2005 shall be transferred to the credit of the General Fund."

**"Standards for Allocating Administrative and Classroom Moneys:** The Office of Education Accountability, in concurrence with the Secretary of the Education Cabinet, shall develop a report that recommends standard definitions for local school expenditure codes and ratios or a range of ratios that would constitute standards for allocation of administrative and classroom moneys. This study shall use the Standard and Poor's Performance Cost Index (PCI) as the basis for analyses of the return on resources by schools, districts, and the state as a whole as expressed by student performance."

**HOUSE REPORT**

The House concurs with the Bill as Introduced with the following changes:

The House provides General Fund support totaling \$1,906,202,500 in fiscal year 2004-2005 and \$2,003,462,100 in fiscal year 2005-2006 for base SEEK as defined by KRS 157.360.

The House provides a SEEK per pupil guarantee (including \$100 capital outlay) of \$3,240 in fiscal year 2004-2005 and \$3,399 in fiscal year 2005-2006.

The House provides General Fund support for the following: (a) \$145,295,100 in fiscal year 2004-2005 and \$143,910,300 in fiscal year 2005-2006 to fully fund the Tier I component of SEEK as established by KRS 157.440, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (b) \$62,890,800 in fiscal year 2004-2005 and \$59,075,400 in fiscal year 2005-2006 is provided to fully fund the Facilities Support Program pursuant to the provisions of KRS 157.440 and 157.620, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (c) \$3,000,000 in fiscal year 2004-2005 and \$7,614,000 in fiscal year 2005-2006 to fund the Equalized Growth Nickel as provided for by the 2003 General Assembly in HB 269, the State/Executive Branch Budget Bill, Part IX, Special Provisions, 14. g., utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year.

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The House provides a factor (.075) to be applied to the SEEK base per pupil guarantee to determine the limited English proficiency funds to be included in the SEEK funding formula in fiscal year 2005-2006.

The House amends Part I, Operating Budget, language provisions as follows:

**"Base SEEK Allotments:** The above appropriation includes \$1,906,202,500 in fiscal year 2004-2005 and \$2,003,462,100 in fiscal year 2005-2006 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is \$211,953,500 in fiscal year 2004-2005 and \$211,953,500 in fiscal year 2005-2006 for pupil transportation."

**"Tier I Component:** Included in the above appropriation is \$145,295,100 in fiscal year 2004-2005 and \$143,910,300 in fiscal year 2005-2006 for the Tier I component as established by KRS 157.440."

**"Facilities Support Program of Kentucky/Equalized Growth Nickel:** Included in the above appropriation is \$65,890,800 in fiscal year 2004-2005 and \$66,689,400 in fiscal year 2005-2006 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620. Included in the above appropriation is \$3,000,000 in fiscal year 2004-2005 and \$7,614,000 in fiscal year 2005-2006 to provide facilities equalization funding for debt service, new facilities, and major renovations of existing facilities pursuant to KRS 157.440, 157.620, and 157.621(2) and (3) as provided for in Section (14) of this budget unit regarding equalized growth nickel funding."

**"Teachers' Retirement System Employer Match:** Included in the above appropriation is \$290,497,100 in fiscal year 2004-2005 and \$307,234,900 in fiscal year 2005-2006 to enable local school districts to provide the employer match for qualified employees as provided for by KRS 161.550, including \$4,441,900 in fiscal year 2004-2005 to support the Kentucky Teachers' Retirement System contributions for associated salary increases for active members, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication."

**"Salary Supplements for Nationally Certified Teachers:** Notwithstanding KRS 157.395, included in the above appropriation is \$1,458,000 in fiscal year 2004-2005 and \$1,858,000 in fiscal year 2005-2006 for the purpose of providing salary supplements for teachers attaining certification by the National Board for Professional Teaching Standards."

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**"Allocation of SEEK Funds :** Notwithstanding KRS 157.360(2)(c), the above appropriation to the base SEEK Program are intended to provide a base guarantee of \$3,240 per student in average daily attendance in fiscal year 2004-2005 and \$3,399 per student in average daily attendance in fiscal year 2005-2006 as well as to meet the other requirements of KRS 157.360.

Nothing in this Act shall be construed as prohibiting the contracting out of pupil transportation services.

Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. The total appropriation for the SEEK Program shall be measured by, or construed as, estimates of the state expenditures required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon the written request of the Commissioner of Education and with approval of the Governor, may increase the appropriation by such amount as may be available and necessary to meet, to the extent possible, the required expenditures under the cited sections of the Kentucky Revised Statutes, but any increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions, of this Act, and the provisions of KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, allotments to local school districts may be reduced in accordance with KRS 157.430."

**"Local School District Certified and Classified Employee Pay Increases:** Included in the above General Fund appropriation in fiscal year 2004-2005 and fiscal year 2005-2006 are funds for the purpose of providing pay increases for all certified and classified employees of local school districts, including \$36,600,000 in fiscal year 2004-2005 for the cost-of-living increase for certified and classified employees of local boards of education, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. During fiscal year 2004-2005 local school districts shall provide all certified and classified staff a salary or compensation increase of not less than two percent and an additional increase of not less than one percent effective January 1, 2005. Notwithstanding KRS 160.470(2), included in the above appropriation in fiscal year 2004-2005 is \$100,000 for the purpose of providing aid to any local school district determined to be financially incapable of providing the mandated salary or compensation increases. During school year 2005-2006 local school districts shall provide all certified and classified personnel a salary or compensation increase of not less than three percent. The above pay increases in fiscal year 2004-2005 and fiscal year 2005-2006 for certified staff shall be in addition to the normal rank and step increases attained by certified personnel employed by local school districts."

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The House adds Part I, Operating Budget, language provisions as follows:

**"Local Revenue:** For calendar year 2005, a district board of education may levy a general rate that will produce revenue from real property, exclusive of revenue from new property, that is up to four percent over the amount of the revenue produced by the compensating rate as defined in KRS 132.010."

**"Use of Local District Capital Outlay Funds:** Notwithstanding KRS 157.420(4) and (6), a local district may submit a request to the Commissioner of Education to use capital outlay funds for maintenance expenditures or for the purchase of property insurance in fiscal year 2004-2005 and fiscal year 2005-2006 without forfeiture of the district's participation in the School Facilities Construction Commission."

**"Retroactive Equalized Facility Funding:** Included in the above appropriation is \$1,724,500 in fiscal year 2005-2006 to provide equalized facility funding to districts meeting the following eligibility requirements: A local board of education that levied a tax rate subject to recall in fiscal year 2003-2004 in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new facilities, or major renovations of existing school facilities shall be eligible for equalization funds from the state at 150 percent of the statewide average per pupil assessment. The equalization funds shall be used as provided in KRS 157.440(1)(b)."

**"Hold Harmless Property Tax Rates:** If a local school district is deemed to be a "Hold Harmless" local school district pursuant to the fiscal year 2005-2006 Support Education Excellence in Kentucky tentative calculation, the local school district shall not be required to levy a property tax rate lower in fiscal year 2005-2006 than the property tax rate levied in fiscal year 2004-2005."

**"School Facilities Matching Grant Initiative:** Included in the above appropriation is \$225,000 in fiscal year 2005-2006 to support the School Facilities Matching Grant Initiative. A local school district shall meet the following eligibility requirements to receive School Facilities Matching Grant Initiative funding in fiscal year 2005-2006: (a) A local school district has received a monetary contribution in excess of \$900,000 in the prior fiscal year that is dedicated to a project on the district's approved facility plan; (b) A local school district has an equivalent tax rate in excess of the district's maximum Tier I equivalent tax rate pursuant to KRS 157.440; and (c) A local school district has in excess of 75 percent of its student population eligible for free and reduced priced meals. The Kentucky Board of Education shall certify eligibility of a local school district to participate in the School Facilities Matching Grant Initiative and make awards no later than August 31, 2005. The available moneys shall then be sent on a prorated basis to all eligible local school districts no later than September 30, 2005."



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**"Additional Base SEEK Allotments and Tier Component Funding:** Included in the above appropriation is \$42,147,100 in fiscal year 2005-2006 to provide additional funding for the base SEEK Program and the Tier I component above and beyond Sections (3) and (4) of this budget unit. These additional General Fund dollars shall be allotted to school districts in accordance with KRS 157.310 to 157.440 and shall become part of the recurring expenses of the SEEK program."

The provision Part I, Operating Budget, relating to Standards for Allocating Administrative and Classroom Moneys is not included.

The House provides revised funding as reflected in Part III, Base Level Budget by Fund Source and Part V, Additional Budget Items of this report.

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